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TESTIMONY OF

TOM W. GRIFFITH

PRESIDENT

NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

TO THE

HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE

MARCH 1, 1984

Mr. Chairman and Members of the Committee.

My name is Tom W. Griffith and I am President of the 65,000 member National Rural Letter Carriers' Association. We are honored to appear before the Committee on Post Office and Civil Service, as you begin hearings on the development of the retirement system for federal employees hired after January 1, 1984.

The National Rural Letter Carriers' Association serves 15,000,000 Americans by daily traveling 2,309,313 miles over 38,007 rural routes throughout the country. We are a member of the Fair Coalition and expect that our views will be consistent with the basic principles of the other 26 organizations in the coalition. The views we present today, however, are our own.

We commend you, Mr. Chairman and this committee, for once again playing the leading role in beginning the serious discussions of this complex and extremely difficult issue. As President of a unique group directly affected by this issue, I would like to comment as it relates to rural carriers. We are proud of the way rural carriers daily perform their duties. As you all no doubt know, they not only deliver the mail to people in less populated areas of our country, but they provide all the services rendered by a local post office. Additionally, each day our carriers do thousands of little courtesies that are not a part of their duties or job description. Generally, we have been fortunate enough to have highly motivated people as rural carriers. One of the things that has continued to attract this caliber

of people is their confidence in a sound retirement system that rewarded years of dedicated service to their customers. We hope the work of this committee will culminate in a supplemental retirement system for new hires which will continue to attract and retain the same caliber of rural carriers in the future.

The complexity of the issue that you are beginning to address and the necessity for indepth research on a multitude of questions is confirmed by the abundance of studies currently underway, commissioned by the House, Senate, executive branch, and interested private groups.

It will probably take the Committee into the next Congress to complete your work because there are so many variables, in terms of approach and funding. Mr. Chairman, I know from our standpoint, we would feel more comfortable in answering the questions you raise after all the information has been gathered. That will allow us an opportunity to thoroughly analyze all available options and give you a more complete opinion.

There are some things that I am prepared to comment on now. First, I think it is important to draw some distinctions. There is a great difference between public employment and private employment. Public employment makes a contribution to society and its primary goal is improved public service. Private employment, on the other hand, is profit motivated. Therefore, they have different measurements of their employees. They also have different tools with which to motivate and reward their employees than does the Government. When the committee is examining various studies, we hope you will take into account these variables as you compare public retirement systems and private retirement systems.

Retired people can basically depend on three sources of income in their retirement years: (1) social security, if they are eligible, (2) their retirement plan, and (3) personal savings. Many private employers have capital accumulation plans: savings and/or thrift plans, profit sharing, and stock options in which there are employer contributions as a reward for employee loyalty and for employee motivation. In addition, many companies offer employees the ability to tax defer some of their income and many of these programs work to reduce the corporation's own federal tax liability. These things are not relevant in the public sector, but we think it is important for the committee to take them into account when looking at private sector retirement plans. They are not strictly the employee's personal savings as some analysts would have us believe.

All should be proud of the role model the Federal Government's retirement plan has provided for the state, local, and private sectors. This should continue. When the Civil Service Retirement Act was passed in 1920, it based retirement benefits upon salary and years of service. Other sectors followed suit by offering similar benefits. Social Security followed later, and established a floor or minimum. Each plan had its purpose and characteristics. They are complex and very different. This committee will want to incorporate the best characteristics of both in a supplement plan. But that integration will not be easy.

What you come up with, should continue to set an example for other sectors. The best should be retained. We advocate these parts being incorporated in a supplemental plan.

It should provide a level of benefits comparable to those currently being received by our members under the present Civil Service Retirement System. The age and years of service requirement should be the same as it is for existing employees to prevent a two standard system.

The indexed benefits should continue. Although most private employers do not index their benefits, the public example has caused most private pension plans to grant Ad Hoc increases with increasing regularity.

Employees need to count on the certainty and soundness of their retirement system. That's why you passed ERISA. Public employees can depend on a system, if the funding process has automatic appropriations to insure adequate financing. That is insulted from the ups and downs of political process.

Since the inception of the Civil Service Retirement System Act, it has required contributions from employees. Although the private sector, in many cases, has non-contributory retirement plans, we see no reason why the new supplemental retirement plan should not continue employee contributions at the current level.

Finally, we think the present Civil Service Retirement Plan provides an excellent framework upon which to build a supplemental retirement plan for newly-hired Federal employees. A system with comparable benefits will be the basis for attracting, retaining, and motivating highly qualified future Federal employees.

Mr. Chairman, we appreciate the opportunity to present our views and look forward to working closely with you and the committee as the researchers and consultants come forward with their analyses. We wish to work with you and your staff to develop a comprehensive solution for a supplemental retirement plan which can be a model for both the private and public sectors.

Thank you.